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COUNTRY Hungary

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SUBJECT Plans for the Hungarian Production  
of War Material

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1. In May 1948 a Hungarian delegation, composed of Gyorgy Palfy-Oesterreicher, Istvan Antos and Istvan Frisch, went to Moscow to negotiate a loan of raw materials for the production of war material in Hungarian factories. Financial assistance was not requested. A significant factor in these negotiations is that they were held between the Soviet and Hungarian Governments and not, as in previous negotiations, between the two Communist Parties. Details of the negotiations were kept secret from officials of the Hungarian Communist Party.
2. The delegation returned to Budapest in mid-June with a favorable report to the Ministries concerned. The only indication of the success of the negotiations is that the organization and planning for the rearmament of the Hungarian Army has since been greatly accelerated, new barracks are being constructed, and damaged buildings repaired throughout the country. Furthermore new uniforms have been supplied to the Hungarian Army, and each soldier now possesses three uniforms.
3. There has not, however, been any actual production of war material following these negotiations. The only factory producing war material in Hungary at the present time is the Danubia factory near Budapest, whose output is limited to the manufacture of pistols for the Hungarian Police.
4. The Hungarian Government has been attempting to import war material from other countries, chiefly Italy. Hungarian purchases from Italy have consisted principally of small quantities of former-American surplus war material.
5. Requests by the Israel Government for light armaments from Hungary have been turned down. The requests were made by two representatives of the State of Israel Commercial Corporation who were sent to the Hungarian Supreme Economic Council by the Hungarian Communist Party.

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